



Director of
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Intelligence

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UK-ARGENTINA: Aftermath of Island's Recapture

//The British are following up the seizure of South Georgia by adding ships and men to their forces in the area. Argentine political and labor leaders are drumming up domestic support for the government and playing down the importance of the loss of the island.

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//The UK announced that the commander of Argentine forces on South Georgia formally surrendered early yesterday and that 180 Argentine troops were taken prisoner. The British reported only light resistance and a single serious casualty on the Argentine side. Prime Minister Thatcher announced that the Argentine prisoners would be returned to their country.//

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//The British Press Association, reportedly quoting government sources, said that British troops could go into action again within 48 hours to establish a bridgehead in a remote part of the Falklands.//

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Comment: //Most, if not all, Argentine personnel apparently have been captured. The British probably will begin to bring additional forces and supplies to South Georgia soon to use it as a staging area for possible attacks against the main Falkland Islands.//

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//References to a possible invasion of the main Falklands probably are designed to put pressure on the Argentine Government. Although the British may be able to land a small reconnaissance group in a day or two, they are not likely to undertake a landing in force.//

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British Reinforcements

//Four small frigates and a diesel-powered submarine left the UK yesterday for an unspecified destination. The US defense attache in London reports that as many as 6,000 additional British Army and Royal Marine troops may be added to the forces in the Falkland Islands task force.//

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Political Reaction in the UK

//Thatcher yesterday supported continued negotiations and mediation by the US, including direct contacts between Secretary of State Haig and the Argentine junta

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if talks with Foreign Minister Costa Mendez are no longer possible. She told the House of Commons, however, that little time remains for a negotiated solution and made it clear that she would increase military pressure on Buenos Aires. Thatcher defended the US role in the crisis in response to calls for Washington to impose economic sanctions on Argentina.//

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//Some opposition members voiced concerns that all efforts for a negotiated settlement be exhausted before further military steps are taken. The US Embassy reported that Thatcher's emphasis on continued mediation through the US and the success of the British military action protected her position.//

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The Mood in Argentina

The assault on South Georgia has intensified nationalistic sentiment, but the slow pace of official news releases and the government's inconsistent accounts of the clash also served to increase public anxiety. Political leaders were quick to back the junta, however, and the Peronist labor confederation urged the expropriation of British-owned firms. Fearing an outbreak of anti-UK demonstrations, the Ministry of Interior instructed provincial governors to protect all foreigners involved in the dispute and their property.

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Comment: //The initial emotional reaction supporting the regime could give way to more sober evaluations of Galtieri's performance. In particular, questions are likely to be raised about the logic of leaving small numbers of troops on an island that was indefensible, the swiftness of the defeat, and the loss of the submarine.//

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OAS Deliberations

//Argentina will try to follow up on yesterday's bland resolution in the OAS by pushing a call for the withdrawal of UK forces from the area, a condemnation of economic sanctions against Argentina, and an exhortation for both sides to resolve the dispute peacefully.//

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Comment: //Buenos Aires is unlikely to achieve much more, unless there is another armed clash during the next few days. A majority of members sympathize with Argentina, but for a variety of reasons they are inclined to dodge stronger measures by taking refuge in legalistic interpretations of the Rio Treaty and the UN resolution.//

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EGYPT-ISRAEL: Mubarak's Speech

President Mubarak, in a speech yesterday to parliament marking the Israeli withdrawal from Sinai, reiterated support for the autonomy negotiations but charged that Israeli settlements in the occupied West Bank and Gaza Strip hinder peacemaking efforts. He took a tough position on the disputed Tabah Beach enclave and vowed not to accept a territorial compromise. The President also stated that Egypt's security is linked to the stability of the moderate Arab regimes in the Persian Gulf and warned that Cairo would take a serious view of threats to those states. [REDACTED]

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Comment: Mubarak's stand on Tabah and on Israel's settlement policy is aimed at rallying domestic support and improving the chances for an eventual Egyptian-Arab reconciliation. To reduce Egypt's isolation, Mubarak last week eased travel restrictions for Arabs seeking to visit Cairo. [REDACTED]

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POLAND: Student Strike Canceled

The student strike at Warsaw University scheduled for yesterday to protest the firing of the popular rector was canceled after faculty members persuaded student leaders that a demonstration would be futile and dangerous. The military commissar for higher education told the faculty that, in the event of a strike, he would close the university for the rest of the school year. A US Embassy officer visited the campus yesterday and found the situation there normal. [REDACTED]

Comment: The regime won this test, but the universities will continue to be a problem for martial law authorities. The firing of the rector probably was initiated by the local authorities, but hardline party and government officials elsewhere in Poland may try to follow their example and dismiss other liberal-minded academics. If they do, they will risk more student anger. [REDACTED]

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YUGOSLAVIA: Regional Party Congress

The first of eight regional party congresses, which was held in the Slovenian Republic of Yugoslavia on 15-17 April, reaffirmed the Slovenes' intent to open the political system and increase the influence of the market in the socialist economy. Slovenes have confided to the US Embassy that they wish to remove all forms of government control over the Slovenian economy.

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Comment: Slovenia is the most prosperous and modern republic in Yugoslavia, and its support for more democratic practices and a modified socialist economy will be closely examined by the party congresses to be held in the other regions. It would be difficult, however, for the other regional parties to follow Slovenia's example without strong approval and leadership from the party in Belgrade. The national party congress, which will be held in late June after all the regional meetings have been completed, will have to find a consensus that will be acceptable to the sometimes truculent republics.

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IRAQ: Financial Squeeze

Iraq is likely to have a foreign exchange shortfall of over \$14 billion this year, despite the recent decision by Persian Gulf states to compensate Baghdad for most of the \$6 billion loss in oil revenue resulting from the shutdown of the pipeline across Syria. President Saddam Hussein already is preparing the populace for additional austerity measures.

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Comment: The Persian Gulf states probably will be unwilling to cover the full \$14 billion deficit because of their own declining oil revenues. Foreign earnings for Kuwait, the United Arab Emirates, and Qatar will barely cover their own expenditures this year, and Saudi Arabia will have its smallest balance of payments surplus since 1978. New Iraqi austerity measures are likely to include more contract cancellations and restrictions on imports of luxury consumer goods. Baghdad will want to minimize the depletion of the \$26 billion it holds in foreign exchange reserves in order to finance postwar reconstruction.

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USSR: Large Imports of Tungsten

//Soviet purchases of tungsten, a critical material in the manufacture of armaments, drilling equipment, and superhard steel, were unusually large again last year. Some 11,000 tons were imported, down from the peak of 14,000 tons in 1980 but still more than triple the annual average during the 1970s. Domestic production in 1981 is estimated at 9,000 tons.//

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Comment: //These large imports probably reflect high Soviet military requirements, including armor-piercing ammunition, and demand by oil and gas drilling programs. Despite the USSR's shortage of hard currency, the Soviets spent at least \$100 million for imported tungsten last year, and acquisition of this material continues to receive high priority.//

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SPECIAL ANALYSES

USSR - MIDDLE EAST: Moscow and the Peace Process

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The USSR sees a new opportunity to get back onto center stage in the Arab-Israeli peace process. The Soviets believe that Israel's withdrawal from the Sinai marks the end of the Camp David process and will lead to a weakening of US influence in Egypt and other moderate Arab states. They hope to advance their proposal for an international conference on the Arab-Israeli dispute but realize that Arab disunity makes rapid progress unlikely.

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The Soviets view a peace settlement as a vehicle for enhancing their influence. They would accept a settlement that satisfied Syria and the PLO and institutionalized a role for the USSR in the region. Moscow has a vested interest in a continuation of the dispute, however, because it increases Arab dependence on Soviet military and political backing and impedes genuine improvement in US-Arab relations.

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Moscow's long-sought goal has been to obtain a seat at the Arab-Israeli negotiating table with status equal to that of Washington. This would represent acknowledgment of the USSR's "legitimate" role in the Middle East and enhance the Soviets' ability to block any US-sponsored settlement that appeared to be harmful to their interests.

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Brezhnev's Proposal and Fahd's Plan

Jordan, Kuwait, South Yemen, North Yemen, Syria, and the PLO have endorsed President Brezhnev's proposal for an Arab-Israeli peace conference. Some of this support, however, is qualified and contrary to long-held positions on the Arab-Israeli dispute. The Soviet proposal explicitly recognizes Israel's existence and right

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to security, but the radical Arabs will not accept this without Israeli concessions that Tel Aviv would regard as dangerous to its sovereignty. [redacted]

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The Soviets are suspicious of Saudi Prince Fahd's rival eight-point peace plan but have refrained from rejecting it outright. Such a move would disrupt their efforts to resume diplomatic relations with the Saudis and would leave the USSR by the wayside if the plan should gain widespread Arab support. [redacted]

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The Soviets acknowledge similarities between the two initiatives. They have made it clear in public and in private, however, that there also are important differences. Fahd's plan does not envisage a Soviet role or mention the need for an international conference to formulate a settlement and oversee its implementation. [redacted]

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The USSR was thus relieved when Fahd's plan was sidetracked at the summit of Arab leaders last November. Moscow, nonetheless, is aware that continued Arab disunity, the explosive situation in southern Lebanon, and Arab uncertainty over Egypt's future foreign policy course dampen prospects for rapid progress on Brezhnev's proposal. [redacted]

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Focus on Egypt

Moscow believes that the return of the Sinai gives it new maneuvering room with Cairo, which will play a central role in any comprehensive peace settlement. [redacted]

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The Soviets hope that President Mubarak will eventually accept a role for the USSR in a peace settlement. They have pushed for this repeatedly in talks with Egyptian diplomats and presumably were encouraged by Mubarak's acknowledgment in January that the USSR cannot be denied such participation "at a later stage." Although Mubarak may soon resume ambassadorial ties with Moscow, he probably will not allow the Soviets more than a symbolic role in the peace process. [redacted]

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Outlook

The USSR does not have the ability to arrange a peace conference on its own. The US and Israel oppose its participation. [REDACTED]

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The Soviets will keep trying to overcome this opposition, but success in arranging a peace conference to their liking is not essential to their Middle East policy. They want to keep their proposal alive in order to maintain at least the appearance of involvement in the peace process. Moscow's primary goals over the next several months will be to scuttle US attempts to revive the Camp David process and to isolate the US in the Middle East by driving a wedge between it and the moderate Arabs. [REDACTED]

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The USSR's ability to drum up support for its conference proposal also will continue to be constrained by the intransigence of its Arab allies, who refuse to make the concessions necessary to get all sides to the negotiating table. Moscow, however, will not apply pressure on Syria and the PLO to the extent that it would damage relations with them. Although the Soviets will keep pushing Brezhnev's proposal, their policy in the Middle East will continue to be dominated by the need to maintain political and military support to their allies in the region. [REDACTED]

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EAST GERMANY: The Peace Movement

The insecure East German regime is worried about the growing peace activism among its youth, the first grass-roots political movement to develop since the country was established. The small group that began demanding an alternative to compulsory military service a year ago has grown into an amorphous movement of several thousand activists. Although domestic and international considerations so far have moderated the regime's reaction, the authorities will not tolerate indefinitely a popular movement outside their control that questions policies at the heart of East Germany's commitment to the Warsaw Pact.

The peace movement in East Germany was stimulated by the extensive West German media coverage of Western youth activism, which struck a responsive chord among previously apathetic young people across the border. Activists are taking positions on a variety of issues, including arms control, repression of freedoms, and, in some cases, German unification.

The movement lacks organization but benefits from the protection of the normally cautious East German Lutheran Church, under whose auspices activists can meet legally for ostensible religious purposes. The peace activists also have been nurtured by the Church's increasingly forceful support of the rights of conscientious objectors and its longstanding advocacy of disarmament.

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The regime nonetheless still has to find ways to harness the unprecedented enthusiasm of increasing numbers of East Germans for pacifism. Recent revisions to the conscription law suggest that over the longer term the regime may attempt to impose discipline by more premilitary training for young people. Such a course, however, could prove counterproductive.

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Impact on Eastern Europe and the USSR

Despite their nervousness, the authorities probably will follow a circumspect course as long as the INF issue remains a top Soviet priority. Continued growth of the peace movement, however, could create friction between East Berlin and Moscow.

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Any Soviet complaints about faulty indoctrination of youth would put the East Germans on the defensive. More importantly, the regime may, if pushed, employ repressive acts that would hinder Moscow's West European "peace offensive."

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There is no comparable peace movement in any of the other Warsaw Pact countries, although there have been isolated instances in Hungary of young men refusing military service for reasons of conscience. There also are no signs that East German peace activists have sought to coordinate their efforts with any countries other than West Germany.

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Although the East German phenomenon is unique, East European youth avidly follow trends in the West and may begin to emulate the West European peace activists if it continues. The regime's own "peace" propaganda could unwittingly help foster this development.

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